BRITISH COLUMBIA

BC STATS

ServiceBC
Ministry of Labour & Citizens' Services

Infoline

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- **BC's jobless rate hits new low**
- **Building permits up 11.2%**
- **Seven percent of BC households rely exclusively on wireless phones**

Labour Force

- **British Columbia's unemployment rate continued to fall in March, dropping 0.4 percentage points to a new thirty-year-low of 4.4% (*seasonally adjusted*).** Among the regions, only Alberta (3.4%) and Manitoba (4.2%) had a lower incidence of unemployment in March. BC was not the only jurisdiction setting new records. Canada's unemployment rate (6.3%) was also at a thirty-year low.

  The improvement in the unemployment rate came as the province recorded the strongest job growth (+0.6%) since November. The labour force expanded by 5,700 people (+0.2%), but with a net gain of 13,100 jobs, there were more than enough positions available for them to fill.

  Historically, four percent has been pegged as the natural rate of unemployment–the rate at which the labour market is in balance (there is neither an excess supply of, or demand for, labour). A further decline in the jobless rate could mean that employers in the province will begin to face labour shortages as the supply of workers can't keep up with the demand.

  Data Source: Statistics Canada

- **Employment in goods-producing industries expanded 1.5% in March, as most industries in the sector took on more staff.** The most notable gain was in construction (+2.3%), where employment climbed to 177,200.

  Employment in the service sector advanced 0.4%, regaining most of the ground lost in February. Information, culture & recreation (+6.4%), health care & social assistance (+5.2%) and miscellaneous services (+4.6%) took on more workers, but there were job losses in accommodation & food (-7.4%) and professional, scientific & technical (-3.2%) services.

  There were more full-time (+1.0%), but fewer part-time (-0.8%) jobs in March. Private sector employment slipped back 0.3%, but the number of public sector jobs was up 2.5%, and self-employment rose 1.9%. The jobless rate for young people aged 15-24 was 7.5%; among those 25 and older, only 3.8% were unable to find work. *Data Source: Statistics Canada*

- **Compared to the same month last year, unemployment rates were down in every region of the province.** Jobless rates ranged from 2.8% (*3-month moving average*) in Northeast to 9.1% in North Coast/Nechako. Kootenay (6.5%) had the second-highest unemployment rate in the province. Vancouver Island/Coast saw the strongest job growth (+9.9%) and the biggest increase in the labour force (+6.1%) during this period. The tight labour market conditions were mainly concentrated in the Victoria area.

  Data Source: Statistics Canada & BC Stats

The Economy

- **The value of building permits issued by BC municipalities increased 11.2% (*seasonally adjusted*) in February.** Non-residential building projects (+20.3%) fuelled the climb, but planned spending on residential projects was also up (+7.0%). Victoria (+19.9%) posted the strongest growth among BC's census metropolitan areas, but intentions for building projects in Abbotsford (-37.8%) were substantially lower than in January. In Vancouver, permits rose 5.1%.

  Nationally, permits rose 3.6%, on the strength of a 14.4% increase in planned construction of non-residential buildings. BC was one of the largest contributors to the Canadian increase in the non-residential sector. *Data Source: Statistics Canada*

- **Vancouver Island/Coast (-1.3%) and Thompson/Okanagan (-13.5%) were the only regions where building permits fell during the first two months of the year, compared to the same period in 2005.** In the rest of the province, in-

Report BC: 2005 Exports in Review

Did you know...

Two out of three Americans think profanity is more common than it used to be, and 42% say they frequently hear foul language in public. Most are bothered "a lot" (36%) or "some" (31%) by profanity and swear words. *Data Source: Ipsos Reid Poll*

creases in the value of permits ranged from +21.3% in Mainland/Southwest to 554% in North Coast, where commercial building permits were up significantly from last year.

Data Source: Statistics Canada

Going Wireless

- **A growing number of households in BC have given up their landlines and rely exclusively on cellphones to stay in touch with friends and family.** In December, 7% of BC households subscribed to wireless phone services, but didn't have a traditional landline. This was more than triple the rate (2%) in May 2003. Almost 10% of Vancouver households relied solely on a cell phone in December, more than in any other census metropolitan area.

BC leads the provinces in terms of going exclusively wireless. Among the other provinces, rates ranged from 2% in Newfoundland and New Brunswick to 6% in Alberta. Nationally, 5% of Canadian households reported having only a cell phone at the end of last year, compared to just 2% in May of 2003. Low-income households were nearly twice as likely to rely solely on a cell phone as those with higher incomes. *Data Source: Statistics Canada*

Child Care

Half (49%) of BC children aged six months to five years were in some form of child care in 2002-2003, up from 36% in 1994-1995. The proportion of children being cared for by a relative in the home almost tripled over the same period, rising from 8% to 21%. Children of a parent born outside Canada were more likely to be cared for by a relative in the home than those whose parents were born in Canada.

Child care rates were up in every province over the eight-year span with Quebec (67%) reaching the highest rate and Alberta the lowest (43%) in 2002-2003. The national average was 54%, up from 42% in 1994-1995.

Although overall childcare rates increased across the country, there was a decline (from 44% to 29%) in the rate for children aged six to 11 months. This probably reflects amendments to maternity, parental and sickness leave allowances for new parents, who can now receive benefits for up to a year after the birth of the their child. Previously, the limit was six months.

The average number of hours Canadian children spent in care also declined, falling from 31 to 29 hours per week over this period.

Data Source: SC: Cat. #89-599-MIE2006003

Overqualified Workers

Between 1993 and 2001, 30% of university-educated workers in western Canada (BC and the Prairies) spent at least a month working at a job that required at most a high school education. Nationally, one in five people with a university education was overqualified for a job at some point in 2001. Younger workers and recent immigrants were the most likely to be in this situation.

Data Source: SC: Cat. #11-621-MIE2006039

Educational Values

- **Seventy-nine percent of immigrant visible minority youth plan to obtain at least one university degree, while only 57% of Canadian-born, non-visible-minority students share the same aspirations.** While studying the educational goals of 15-year-old Canadian students, it was found that parental involvement was a strong influential factor in the future goals of children. Approximately 88% of the parents of visible-minority immigrant students anticipated that their children would obtain a university education, compared to 59% of Canadian-born parents who were not from visible minority groups. Parents of visible-minority immigrant children also tend to have higher levels of education than their Canadian counterparts. Although factors such as socio-economic status, gender, region and community size also influenced choices, neither language spoken at home nor family structure appeared to be connected to differences in the educational aspirations of students.

Data Source: Youth in Transition Survey
Analysed by Research Data Centre, University of Alberta.

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April 7, 2006

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

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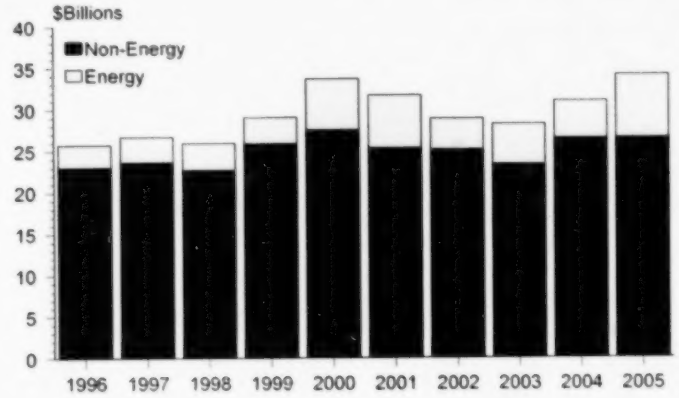
Contact: Dan Schrier (250) 387-0376
Originally published in *Exports*. Issue 06-01. Annual Subscription $60 +GST

B.C. 2005 Exports in Review

Despite the continued appreciation of the Canadian dollar against other currencies, particularly the US dollar, the value of BC origin exports climbed 10.0% from 2004 to 2005. However, when exports of energy products were excluded, the growth in merchandise exports from BC was virtually flat (+0.1%). While an increase in demand for goods such as natural gas, electricity and coal contributed to the rise in energy shipments, price inflation was the most significant driver of the 68.3% jump in the value of energy exports. The average price received for BC shipments of natural gas rose just over 25%, while electricity cost almost 50% more for importers of the BC product and coal prices were up just over 75% compared to a year earlier.

The value of BC exports jumped 10% in 2005, despite the appreciation in the Canadian dollar

Excluding energy, growth in BC exports was virtually flat in 2005



Price inflation and high demand for energy products were the main contributors to the overall growth in BC exports

Aside from energy, international shipments of metallic mineral products also experienced significant growth in 2005, rising 28.6%, mainly on the strength of demand from China, which has helped drive up metal prices worldwide. BC exports of machinery and equipment were another bright spot, expanding 7.1% from a year earlier, and shipments of agriculture and food products (excluding fish) saw similar growth, jumping 7.0% in 2005.

Slumping exports in the forest sector offset much of the increase in shipments of other commodities. The value of exports of pulp and paper products dropped 7.5%, mainly due to a 13.2% plunge in exports of pulp. Higher prices for newsprint resulted in a 2.5% rise in exports of that product, despite a decline in volumes shipped, which helped mitigate the impact of dwin-

Forest sector exports slumped for the most part, with the exception of newsprint, value added wood products and unprocessed logs

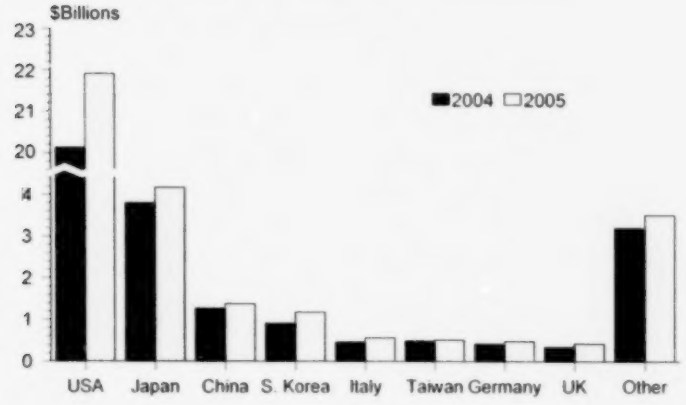
dling pulp shipments somewhat. Exports of solid wood products fell 5.8%, with the value of shipments of softwood lumber shrinking 9.0%. The only wood products that experienced export growth were value added wood products (+5.1%) and unprocessed logs, which increased both in terms of value (+24.7%) and quantity shipped (+36.6%).

Another commodity group that has been experiencing lean times in terms of value of exports is apparel and accessories. International shipments of these goods from BC have fallen for five consecutive years including double-digit declines in four of those years. In 2005, the value of exports of apparel and accessories from BC slumped 11.3%. The removal of global import quotas for clothing and textiles on January 1, 2005 has opened up the market for these goods to developing nations and North American manufacturers are finding it difficult to compete with lower-cost regions such as China. In addition, the greater availability of apparel from these countries has resulted in lower prices for the goods, which is also affecting the bottom line of exporters in BC and elsewhere in North America.

Exports of apparel and accessories are down for the fifth consecutive year

Overall, despite declines for some goods, BC origin exports to most destinations have increased in the last year. While China is often hailed as the key Asian market that exporters in North America should pursue, growth in BC exports to both Japan and South Korea exceeded that of the jump in shipments to China, although the rise in the value of exports to China was still substantial, climbing 9.0%. Japan's economic rebound was the impetus behind the greater demand for BC goods, pushing BC exports to that country up 9.7%. South Korea experienced the sharpest incline in imports of BC goods, at 28.9%.

BC exports are up to most destinations

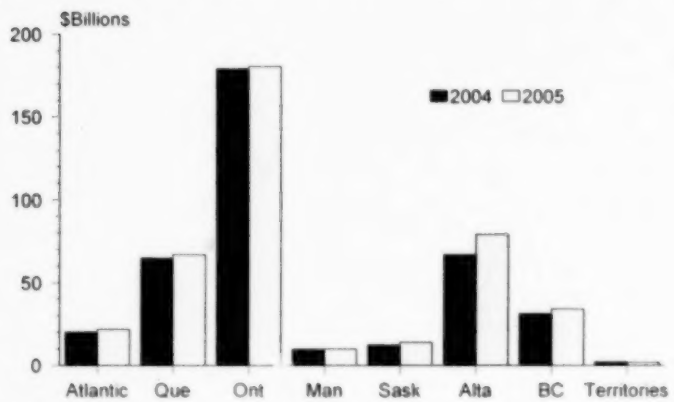


BC exports to most destinations were higher in 2005 compared to a year earlier

The expansion in BC exports was not limited to Asian destinations. In Europe, Italy (+22.8%), Germany (+14.8%) and the United Kingdom (+23.6%) all experienced significant growth in imports of BC products. Shipments to the United States, by far the most significant destination for exports from BC, climbed 8.8%, mostly due to a 55.1% jump in exports of energy products.

British Columbia was not alone in experiencing higher values of exports in 2005, as most regions in the country saw export growth. Among the provinces, Prince Edward Island led the way with a 19.9% jump in exports, followed by Alberta, at 18.5%. The only region of the country to see a drop in exports was the Northwest Territories, where international shipments dropped 22.2%.[1] Ontario origin exports edged up only 0.8%, the smallest increase of any province. Since exports from Ontario are mainly comprised of manufactured goods, it has been the province most acutely affected by a rising Canadian dollar.

Most regions of the country saw exports rise in 2005



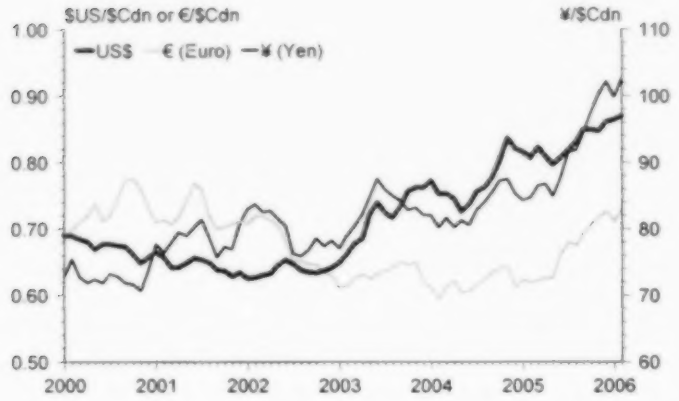
Across the country, all provinces saw an increase in the value of exports, with only the Northwest Territories suffering a decline

The export performance in resource-rich Alberta and BC versus manufacturing-centred Ontario highlights the variable impact of the dollar's appreciation. The Canadian dollar has climbed in value relative to most other currencies, in large part driven by commodity price inflation, but the strong Canadian economy is helping sustain the gains even as prices of resource products have stabilized.

The Canadian dollar is rising relative to all the world's major currencies

[1] This decline is overstated as data for unsorted diamonds were not available for the months of November and December when Statistics Canada produced the year-end 2005 figures. The drop is likely closer to around 18%.

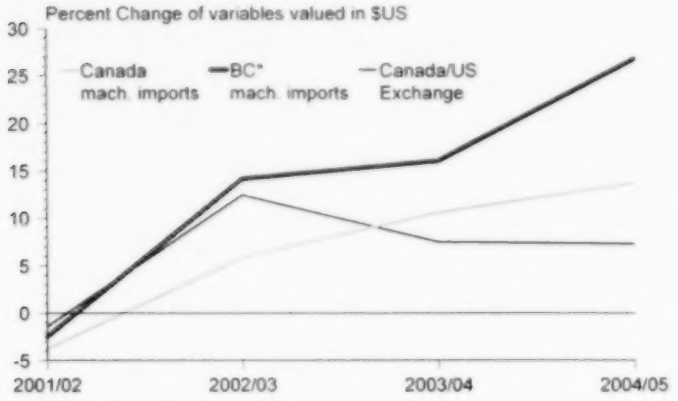
The Canadian dollar continues to appreciate against other currencies



The higher dollar is problematic for all Canadian exporters, but particularly those of manufactured goods. Since commodity price inflation is driving much of the dollar's increase, the impact of a higher Canadian dollar has often been offset by the higher prices for the resource goods. Manufacturers are seeing increased competition from low-cost regimes, such as China and therefore cannot afford to increase their prices, so a higher dollar is costly for them as they will receive fewer Canadian dollars for their goods when they are priced in a foreign currency, or their goods will be more expensive to foreign buyers when they are priced in Canadian currency.

One of the reasons why overall exports have not declined in the face of a soaring dollar may be that manufacturers and other exporters are taking advantage of lower-cost imports of machinery and equipment in an effort to improve productivity through capital upgrades. In other words, just as exports of Canadian goods are more expensive for foreign buyers when the dollar is high, imports of foreign goods into Canada are less expensive because it takes fewer Canadian dollars to buy the goods. In a low-dollar climate, imports of machinery that can help improve productivity are often too expensive and it is not cost-effective for Canadian companies to make these purchases. In effect, the "subsidy" provided by a low-valued dollar offers no incentive to be as efficient as a foreign competitor because the funds needed to maintain that level of efficiency will exceed the revenue bump from productivity improvements. With the higher-valued dollar, not only are Canadian companies more compelled to make productivity improvements to become more competitive, it is also cheaper to do so because imports of those goods are less expensive.

Imports of machinery have been climbing as the Canadian dollar appreciates against other currencies



*Imports cleared through BC customs ports; not necessarily consumed within the province

Canadian manufacturers are importing machinery in order to improve productivity and remain competitive despite the higher dollar

Imports of machinery into Canada have increased dramatically in the last couple of years. This can be seen most clearly when viewing the imports valued in US dollars (which is in what most of these goods will be priced). In each of the last three years, imports of machinery into Canada have increased, just as the Canadian dollar has appreciated relative to the US dollar over three consecutive years.[2] Valued in US dollars, Canadian machinery imports rose 5.9% in 2003, 10.6% in 2004 and 13.7% in 2005. Imports cleared through BC ports have climbed even more dramatically, with double-digit increases in each of the last three years, including a 26.7% jump in 2005.[3]

While productivity improvements achieved through purchases of machinery and equipment, and other means may help Canadian exporters weather the exchange rate storm, a continued appreciation of the dollar could eventually result in falling exports. The outlook for the Canadian dollar varies, but the average forecast of the British Columbia Economic Forecast Council that advised the Minister of Finance in her preparations for the 2006 provincial budget is for the exchange rate to average 84.8 cents in 2006, well below the 88 cent level at which it has hovered at the beginning of March. The forecasts ranged from a low of 81.0 cents up to a high of 87.8 cents. The Ministry of Finance forecast

Forecasts for the dollar are for more stability and an end to sharp increases, which should help Canadian exporters

[2] "Machinery," for the purposes of this report, is comprised of all goods in the harmonized system code classification 84: "Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof." Values are converted to US dollars using an average monthly exchange rate.

[3] Note that imports cleared through BC customs ports are not necessarily consumed within the province and may be en route to other provinces.

is for an 86.2-cent dollar in 2006, well above the Council's average. If these forecasts are in the vicinity of the actual annual average, exporters that have been able to remain competitive thus far will likely be able to cope quite well, but if the dollar rises higher than anticipated, to above 90 cents or even more, Canada's export-oriented economy could be headed for a slump.

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BC at a glance . . .

POPULATION (thousands)	Jan 1/05	% change on one year ago
BC	4,279.5	1.3
Canada	32,422.9	1.0
GDP and INCOME		
(BC - at market prices)	2004	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	157,241	7.7
GDP *($ 1997 millions)*	139,205	4.0
GDP *($ 1997 per Capita)*	33,129	2.8
Personal Disposable Income *($ 1997 per Capita)*	20,182	1.4
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jan	3,779	-0.5
Merchandise Exports - Jan	3,121	-2.7
Retail Sales - Jan	4,339	2.4
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Feb '06	% change
BC	125.8	1.9
Canada	128.6	2.3
LABOUR FORCE (thousands)		
(seasonally adjusted)	Mar '06	% change on prev. month
Labour Force - BC	2,291	0.2
Employed - BC	2,189	0.6
Unemployed - BC	102	-6.8
		Feb '06
Unemployment Rate - BC *(percent)*	4.4	4.8
Unemployment Rate - Canada *(percent)*	6.3	6.4
INTEREST RATES (percent)	Apr 5/06	Apr 6/05
Prime Business Rate	5.50	4.25
Conventional Mortgages - 1 year	6.05	5.05
- 5 year	6.45	6.25
US/CANADA EXCHANGE RATE	Apr 5/06	Apr 6/05
(avg. noon spot rate) Cdn $	1.1619	1.2219
US $ *(reciprocal of the closing rate)*	0.8607	0.8191
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Mar '06	one year ago
BC	718.33	2.9
Canada	721.41	3.7

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

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- Small Business Quarterly, Fourth Quarter 2005
- Labour Force Statistics, March 2006

Next week

- Earnings & Employment Trends, March 2006
- Exports, February 2006

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